

# General Purposes

## MISCELLANEOUS

### EXECUTIVE PROGRAM

The Miscellaneous Function consists of centralized accounts that cover operational costs attributable to several or all City agencies. These accounts and their purposes are outlined below.

<u>Account</u>	<u>Purpose</u>
Retirement System Contributions	Mandatory employer's share of contributions to the State Employees' Retirement System.
Pension Contributions	Mandatory employer's share of pension contributions.
FICA Tax	Mandatory employer's share of contributions to the FICA tax.
Workers' Compensation	Medical and other payments for employees' work-related injuries and illnesses.
Unemployment Compensation	Mandatory employer's contribution to the State Unemployment Compensation Fund.
Health Fund	Mandatory employer's contribution to the State Health Fund for employees' medical insurance.
Provision for Salary Adjustments and Accrued Vacation Pay	Funds salary adjustments that have not been budgeted in agencies' accounts; and funds lump-sum payments for accrued vacation required for individuals who leave City employment.
Provision for Judgments and Losses	Provision for Judgments and Losses Funds the City's legal liability needs not covered by insurance.
Provision for Risk Management	Funds the City's insurance costs including premiums and deductibles, and risk management information, claims adjustment, actuarial and other services required for the sound administration of the City's risk financing program.
Provision for Real Property Tax Refunds	Funds the City's real property tax refunds (to property owners).
Provision for Deferred Compensation Plan	Provision for an employer's contribution to a deferred compensation plan provided to employees by collective bargaining agreement.
Provision for Legal Cost Services Plan	Provision for an employer's contribution to a legal plan provided to employees by collective bargaining agreement.

## MISCELLANEOUS

Funds are provided for the payment of retirement system, pension, FICA tax, workers' compensation, unemployment compensation, health fund, judgments and losses, risk management and other costs.

### FY 2003 HIGHLIGHTS

Employees Retirement System - Reflects a 48% decrease as certified by the Board of Trustees of the Employees' Retirement System of the State of Hawaii.

FICA Tax - Reflects a 12% increase due primarily to negotiated pay raises for employees.

Workers' Compensation - Reflects an 18% increase based on benefit experience.

Unemployment Compensation - Reflects a 30% increase based on benefit experience.

Health Fund - Reflects a 7.8% increase based primarily on rates approved by the State Health Fund Board for fiscal year 2003.

Provision for Salary Adjustments and Accrued Vacation Pay - A lower amount is required because negotiated pay raises for employees are provided in departmental budgets.

Provision for Judgments & Losses - An evaluation of pending cases reflects increased requirements.

## EXECUTIVE BUDGET

		<u>Proposed Budget for Fiscal Year 2003</u>			
		<u>Expended</u>	<u>Appropriated</u>	<u>Current</u>	<u>Budget</u>
		<u>FY 2001</u>	<u>FY 2002</u>	<u>Services</u>	<u>Issues</u>
					<u>Total</u>
<u>Activity</u>					
Retirement System Contributions....S	4,833,065	33,687,861	17,659,694		17,659,694
Pension Contributions.....	78,561	120,000	79,000		79,000
FICA Tax.....	15,957,711	15,742,576	17,666,709		17,666,709
Workers' Compensation.....	8,727,249	8,966,670	10,569,730		10,569,730
Unemployment Compensation.....	251,119	456,001	592,637		592,637
Health Fund.....	53,444,309	58,735,343	63,336,666		63,336,666
Provision for Salary Adjustments					
and Accrued Vacation Pay.....	2,458	18,047,988	6,547,383		6,547,383
Provision for Judgments & Losses...	2,786,071	2,800,000	3,800,000		3,800,000
Provision for Risk Management.....	3,245,964	4,500,000	5,904,000		5,904,000
Provision for Real Property					
Tax Refunds.....	29,003	150,000	150,000		150,000
Provision for Deferred					
Compensation Plan.....	0	0	304,200		304,200
Provision for Legal Cost					
Premium Payments.....	93,373	165,000	0		0
Total S	<u>89,448,883</u>	<u>143,371,439</u>	<u>126,610,019</u>	<u>0</u>	<u>126,610,019</u>
<u>Source of Funds</u>					
General Fund.....	67,355,787	107,560,392	95,961,612		95,961,612
Highway Fund.....	7,423,644	12,480,259	10,338,577		10,338,577
Sewer Fund.....	7,678,722	11,557,645	8,285,032		8,285,032
Liquor Commission Fund.....	355,457	676,897	502,602		502,602
Special Events Fund.....	899,515	1,987,619	2,083,405		2,083,405
Hanauma Bay Fund.....	293,304	384,438	404,022		404,022
Solid Waste Special Fund.....	4,594,323	7,173,228	7,474,979		7,474,979
Golf Fund.....	848,131	1,550,961	1,559,790		1,559,790
Total S	<u>89,448,883</u>	<u>143,371,439</u>	<u>126,610,019</u>	<u>0</u>	<u>126,610,019</u>

## DEBT SERVICE

Debt service funds are provided for the payment of short/long-term debt service costs. The budgeted debt service amount is provided to pay currently outstanding debt and for the planned issuance of those bonds that are authorized but unissued. The planned issuance may include specific projects in the Capital Program. Projected debt service costs beyond fiscal year 2003 relate to the City's six-year Capital Program and Budget and are reflected in the Multiyear Financial Outlook. Actual debt service costs will be determined by the actual size of the bond issue, market conditions, the timing of bond issuances and cash requirements.

Debt service payments on general obligation bonds and revenue bonds issued to fund capital improvement projects are reflected in the operating budget.

### EXECUTIVE PROGRAM HIGHLIGHTS FOR FISCAL YEAR 2003

One general obligation bond issue of \$100 million and one sewer revenue bond issue of \$181.3 million are programmed for fiscal year 2003. Approximately \$540.8 million in general obligation bonds and \$194.9 million in sewer revenue bonds are authorized and unissued as of December 31, 2001.

### EXECUTIVE BUDGET

			Proposed Budget for Fiscal Year 2003		
	Expended FY 2001	Appropriated FY 2002	Current Services	Budget Issues	Total
General Fund:					
Bond Principal and Interest.....	\$ 145,811,938	\$ 115,638,301	\$ 125,155,004	\$ ----	\$ 125,155,004
Other Debt Principal and Interest...	359,220	359,221	359,221	----	359,221
TECP.....	----	2,373,337	3,428,754	----	3,428,754
Total (General Fund)....	\$ 146,171,158	\$ 118,370,859	\$ 128,942,979	\$ ----	\$ 128,942,979
Sewer Fund:					
Sewer Revenue Bond Principal and Interest.....	\$ 14,034,179	\$ 19,295,979	\$ 24,225,240	\$ ----	\$ 24,225,240
Total Debt Service.....	\$ 160,205,337	\$ 137,666,838	\$ 153,168,219	\$ ----	\$ 153,168,219

The sustained growth of the City in the past has required it to rely on general obligation bonds as a major source of financing for its capital improvement projects. This fiscal year the City will restructure its anticipated general obligation debt service of \$181.7 million to \$128.9 million. This restructuring through the use of Tax Exempt Commercial Paper (TECP) will result in a debt service savings of \$52.8 million.

The City will continue to finance wastewater projects with the issuance of wastewater revenue bonds. This approach will require more accountability from the Department of Environmental Services (formerly the Department of Wastewater Management) on managing costs and determining sewer service charge rates.

## DEBT SERVICE POLICY

Debt service is guided by Resolution No. 01-76, CD1, Establishing Debt and Financial Policies for the City. Section III of the Resolution states:

1. Debt shall not be used to finance ongoing operational costs.
2. Whenever possible, the City shall pursue alternative sources of funding in order to minimize the level of debt.
3. When feasible, the City shall use special assessment, revenue, or reimbursable bonds in lieu of general obligation debt.
4. Long-term general obligation debt may be incurred when necessary, based on the City's ability to pay. This debt shall be limited to those capital projects that cannot be financed from existing revenues and when there is an existing or near-term need for the project. The project also should be integrated with the City's long-term financial plan and Capital Program.
5. The maturity date for any debt shall not exceed the reasonable expected useful life of the project so financed.
6. The City shall encourage and maintain good relations with financial and bond rating agencies and will follow a policy of full and open disclosure on every financial report and bond prospectus. A rating agency presentation/update shall be conducted at least once annually.
7. The City shall establish affordability guidelines in order to preserve credit quality. Guidelines, which may be suspended for emergency purposes or because of unusual circumstances, are as follows:
  - a. Debt service for general obligation bonds including self-supporting bonds as a percent of the City's total operating budget, including enterprise and special revenue funds, should not exceed 20 percent.
  - b. Debt service on direct debt, excluding self-supported bonds, as a percentage of General Fund revenues should not exceed 20 percent.
8. The total outstanding principal of the City's variable rate debt should not exceed 120% of the City's total short-term investments.
9. Variable rate debt should be used only as a source of interim or construction financing, financing of equipment with a useful life of five years or less, and short-term financing of debt service. In the event variable rate debt is used to finance debt service, the variable rate debt shall be refunded as a part of the next long-term bond issuance.
10. Whenever possible, the City shall seek State funding for financing of qualified wastewater projects.
11. The City Continually shall review outstanding City debt and initiate refinancings when feasible.

STATEMENT OF LEGAL DEBT MARGIN  
December 31, 2001

Gross Assessed Valuation of Real Property, January 31, 2002 .....	\$	89,211,751,400	
Less Exempt Valuation.....	-	14,698,363,300	
Assessor's Net Taxable Valuation .....		74,513,388,100	
Less Valuation on Appeal .....	-	1,858,061,160	
Taxpayers' Valuation.....		72,655,326,940	
Add 50 percent of Valuations on Appeal .....	+	929,030,580	
Net Assessed Valuation of Taxable Real Property for Rate Purposes .....	\$	73,584,357,520	*
Debt Limit -- 15 percent of Net Assessed Valuation of Taxable Real Property .....	\$	11,037,653,628	*
Less Net Funded and Other Indebtedness.....	-	1,311,318,377	*
Legal Debt Margin .....		9,726,335,251	
Less Bonds Authorized and Unissued .....	-	540,847,920	
Net Legal Debt Margin.....	\$	9,185,487,331	

The City's ability to pay its debt is determined by comparing net funded and other debt to net assessed valuation of taxable real property. Funded debt is debt for which the City has pledged its full faith and credit. Net funded debt is debt minus self-supporting debt, such as revenue bonds. Bond rating agencies recommend that net funded and other debt not exceed 5 percent of net assessed valuation. The current ratio is less than 2 percent.

---

\* The State Constitution limits the City's funded debt to 15 percent of the net assessed valuation of taxable real property. Based on the above figures, the ratio of net funded debt to net assessed valuation is 1.78 percent.